

USAID/Pakistan

Annual Report

FY 2005

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Please Note:

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Pakistan

Performance:

Background: Pakistan plays an important role in the global war on terrorism, and has made progress in improving relations with its neighbor to the south, India, and the conflict over Kashmir, and with Afghanistan, its neighbor to the west. Pakistan faces daunting challenges in its endeavor to develop its own economy and restore full democracy. A poor country of 159 million people, Pakistan suffers from low literacy, little foreign investment, sectarian strife and terrorism.

While progress has been registered in several fronts on Pakistan's political landscape - in particular increased representation of women in national and provincial parliaments, expansion and liberalization of the media, and progress toward devolution -- there is near universal agreement within the country that the basic architecture of the country's democratic institutions still needs fine-tuning. A history of military dominance and abrupt government changes has prevented the long periods of stability needed for the executive, legislative and judicial branches of government to go through several cycles of assessing shortcomings and making corrections.

The current government pulled Pakistan from the brink of bankruptcy in 2001 with support from the United States and other donors for debt relief. With strong financial leadership and political will for macro-economic and fiscal reform, real GDP growth accelerated from 2.9 percent in 2002 to 6 percent in 2003 to 2004, led by strong manufacturing growth, sound exports and moderate service-sector and agricultural growth. Agriculture is the largest single sector in the economy, constituting roughly 25 percent of GDP and accounting for 50 percent of rural employment. Foreign direct investment has risen slowly but at less than \$1 billion falls far short of what Pakistan needs for infrastructure-led growth and poverty reduction. Progress on macro-economic reforms alone has not directly led to a decrease in poverty, which remains widespread.

The current government also completed a Poverty Reduction Strategy (PRSP) and set ambitious targets for achievements in education, health, judicial reform and economic growth that would alleviate poverty. Literacy averages 49 percent but in remote areas of the country is much less, as low as 0.5 percent for women. It is estimated that more than 6 million school age children are out of school. With no access to good public schools, thousands of children end up in schools that teach only religious subjects. Stark inequalities in education contribute to social and sectarian tension in Pakistan. Children from poorly-financed public schools and from the religious schools have few opportunities compared to the children of Pakistani's civilian and military elite, for whom private, English medium schools are available. Public sector spending on education has slowly increased, but remains low (around 1.9 percent to 2.2 percent of GDP.)

Continued high fertility rates well above four births per woman, and a large number of youth, mean demand for schools, health care, water and sanitation services and jobs will place increasing strains on Pakistan's fundamentally weak systems of service delivery.

U.S. Interests and Goals: Pakistan, a strategically important country that is home to one of the world's largest Muslim populations, has been a key cooperating nation in U.S.-led counterterrorism efforts in South Asia. A stable, democratic, economically thriving Pakistan is vital to U.S. interests in Asia. U.S. goals are to reinforce stability in Pakistan, and the region, by strengthening democratic institutions, improving education and health, and economic growth. These goals are reflected in USAID's strategic objectives (SO's). USAID is addressing democratization by helping to strengthen parliaments and civil society and by advancing devolution through grants to local governments, by strengthening education and health care providers at the provincial and district level, and by increasing the role of SMEs in

dialogue with government on reform measures. USAID's education, health and micro-credit programs also promote stability by helping the government bring services to remote and underserved areas.

Donor Relations: USAID is one of the major donors included in the donor coordination committee on the Government of Pakistan's Poverty Reduction Strategy, a new group which meets quarterly to assess progress against targets. The main consultative government/donor consortium meets annually in the Pakistan Development Forum. USAID joined the governance, health and education working groups as it began programs in these areas. Overall development assistance (project aid) to Pakistan totals about \$1.2 billion. USAID jointly finances several programs with other donors, which includes Japan for reconstruction of 130 schools in the Federally Administered Tribal Areas; with the United Kingdom and UNFPA to raise the quality of and expand access to reproductive health services; with the United Kingdom to improve management of public healthcare resources and services at the provincial and district levels; with Switzerland on anti-corruption, and with the United Nations Development Program to improve community infrastructure, services, and community participation in local governance.

The United States, Japan, and the United Kingdom are Pakistan's three largest bilateral donors. Multilateral donors and their principal areas of focus include the Asian Development Bank (health, education, access to justice, roads and energy), the World Bank (health, microfinance, education, civil service reform, governance), and the United Nations Development Program (governance, elections).

Challenges: Pakistan has made great gains in stabilizing its fiscal and monetary system and bringing the country out of near-bankruptcy, without which the country could not increase investment in developing its human resource base and broad-based economic growth. Serious challenges remain to fully capitalize on recent macro-economic stability. Among the most important are Pakistan's low literacy and high population growth rates, which will undermine advances made in other areas. USAID believes the Government of Pakistan's education sector reform and health reform agenda set the right direction, and will need continued, substantial investments to succeed. Equally important, a broader consensus on the path of social and economic sector reforms would help avoid the historical pattern of setback and reversal of gains made with every change in government. Progress in building consensus is complicated by tensions between tribal and settled areas, male and female, rural and urban, military and civilian roles. Civil society - which includes citizen groups, the media and political parties - is slowly emerging as a mechanism of citizen voice and accountability in Pakistan, however, much more needs to happen if it is to play a strong role in mitigating conflict.

Key Achievements: USAID completed the first full year of program implementation in FY 2004 for most of its activities. Significant advances were made in each of the four areas of USAID's program: education, health, democracy, and economic growth.

Primary and Secondary Education. USAID's education program includes policy and planning, comprehensive school improvement programs, primary and secondary teacher and school administrator training, youth and adult literacy, and public/private partnerships in education.

The school improvement program began in Balochistan and Sindh provinces, the poorest, most conservative and least accessible parts of the country. More than 1,700 school management committees in nine districts of Balochistan and Sindh (out of more than 7,000 such committees) developed comprehensive plans to improve their public and community schools. Two hundred and fifty six schools completed the first phase of the program, which included infrastructure upgrades appropriate for each school, ranging from boundary walls, so girls can attend, to new classroom construction. School construction began on the first of 130 schools in the Federally Administered Tribal Area (FATA), along the Afghanistan border.

Nearly 13,500 teachers were trained in in-service teacher training programs, another 1,900 school administrators and 2,089 community school management committees were trained to support school activities. Forty-five Pakistani teacher-educators from around the country returned from their six-month intensive training in the United States on math, science, and English as a second language, and are now back in teacher training academies giving instruction to new teachers.

USAID's early childhood education program outperformed expectations in 2004. In 255 schools with 13,000 children, 97 percent of the teachers are effectively applying early childhood teaching methodologies, attendance increased 10 percent, and most importantly, the Ministry of Education has adopted the program for expansion country-wide. More than 200 literacy centers were opened throughout the country; 7,500 people completed courses and can now read and write. An estimated 20,000 will have completed their studies by the end of 2004.

The Research Triangle Institute (RTI) which is implementing the Education Sector Reform Program conducted a thorough program performance review and financial audit in August 2004. As a result, USAID decided to replace the Chief of Party and refocus the RTI grant and budget to place additional emphasis on interventions at the school level.

Health. USAID's program included extending reproductive health services to underserved populations in Pakistan, eradicating polio through national immunization days and decreasing the incidence of tuberculosis.

Sales of safe and reliable reproductive health products increased by 15 percent, which helped avert approximately 1,700 maternal deaths and nearly a million unwanted pregnancies. Today, nearly one in three couples using contraception is served by USAID-funded organizations. The increase can be attributed to USAID's training of thousands of physicians, nurse mid-wives and laboratory technicians - the majority of whom are women - who are now offering improved reproductive health care services and better information at private clinics, where the majority of poor seek health services. A more liberal media environment enabled launch of radio and television campaigns to support the Government of Pakistan's reproductive health initiatives. Pakistan's first locally manufactured contraceptive injectable was introduced, which should encourage greater investment and thus help expand commercial contraceptive supply and marketing.

With the sixth highest infection rate in the world, Pakistan has a major problem with tuberculosis, which largely affects working-age adults. Each year 250,000 new people are infected and many of them with multi-drug resistant strains. Through a pilot program with the World Health Organization and other donors, USAID achieved an 85 percent treatment success rate. The number of confirmed polio cases declined through consistent and concerted effort on the part of the Government, USAID, Japan, and other donor countries. With improved surveillance, the coming year could be Pakistan's first polio-free year.

The Mission plans two health sector evaluations for FY2005. The first will focus on reproductive health program. The second will focus on public sector management of health resources at the provincial and district levels.

Democracy and Governance. USAID's program includes training of national and provincial parliaments, resource centers for parliamentarians and funding for local government and community-led programs.

Parliamentarians attended 19 discussion forums that covered a range of topics they identified as critical to improving legislative governance: parliamentary rules and procedures, the foreign policy process, parliamentary committee system, understanding the budget, and WTO. These prototype courses will be incorporated into a parliamentary training curriculum in the coming year. The first-ever parliamentary intern program in Pakistan's parliament was launched, which brought an inspiring cadre of Pakistan's finest young men and women to serve a summer in the National and Punjab Assemblies. Parliamentary resource centers, where parliamentarians can research policy issues, were also established in the national and provincial capitals.

Two delegations were sent on parliamentary study tours: one to India and another to the US. These tours exceeded expectations and provided some unanticipated benefits as well. The delegation to India learned about the extraordinary advances in India's electoral system and immediately formed a committee to introduce some of these in Pakistan's parliamentary process. The U.S. study group identified the U.S. Library of Congress's Government Law Information System (GLIN) as a useful tool for research on laws anywhere in the world. USAID has agreed to help make the system available in the

parliamentary resource centers.

District governments and communities from all four provinces received 44 grants for priorities they had identified, including improving irrigation systems, constructing water and sanitation facilities, establishing a corneal transplant center, and paving roads. Another 108 communities received training in making proposals for government funding.

The first radio station to be established at a Pakistani university began broadcasting from the University of Peshawar. In Islamabad, a cadre of 71 women was trained as radio journalists and began producing programs on sensitive social and political issues such as divorce rights, the practice of giving away girls and women to settle disputes, prostitution, women in politics, and reproductive health. The Mission plans a mid-term review of the legislative strengthening program in 2005.

Economic Opportunities for the Poor. USAID's program includes bringing micro-credit programs to underserved areas, and helping develop SME industry groups to improve strategies for higher-value production.

More than 80,000 loans were disbursed in rural areas of Balochistan and Sindh where there had been no micro-credit services. The success of the program in one year changed tribal leaders' attitudes towards micro-finance credit and services - many who had been opposed to credit programs are now requesting that USAID extend its program to their areas, which USAID will do in the coming year.

Ten self-selected working groups, representing dairy, minerals and mining, gems and jewelry, fisheries, IT, horticulture, ceramics, sporting goods, surgical instruments, and agro-processing, were organized and developing industry strategies to achieve greater growth. Strategies include benchmarking industry leaders, identifying necessary investments in technology and human resources, and engaging government on micro-economic policy reforms.

For more information, please visit the USAID/Pakistan website at <http://www.usaid.gov/pk/>.

Results Framework

391-001 Pakistan NGO Initiative

391-003 Pakistan Primary Education and Literacy Program

SO Level Indicator(s):

No. of USAID sponsored policies developed at national and provincial level or district levels

Percent of primary school-aged children enrolled in schools in target districts (net enrollment)

3.1 Strengthened education sector policy and planning

3.2 Improved capacity of teachers and education administrators

3.3 Improved youth and adult literacy

3.4 Expanded public-private partnerships to improve access and delivery of education services

391-004 Pakistan Democracy and Governance Program

SO Level Indicator(s):

Number of new mechanism used by selected government institutions for citizen inputs

4.1 Improved representation and responsiveness of national and provincial legislatures

4.2 Greater civil society media and political party engagement in policy dialogue

4.3 Devolution supported through more accountable and responsive local governance

391-005 Emergency Economic Assistance to Pakistan

391-006 Agriculture Growth and Employment

SO Level Indicator(s):

Percent of beneficiaries with increased income due to program activities

6.1 Increased access to micro-credit and microfinance services in the rural economy

6.2 Improved private sector growth

6.3 Increased market based opportunities in the rural economy

391-007 Improve Basic Health Services

7.1 Increased use of quality RH/FP services

7.2 Improved health management of primary health care in target districts

7.3 Increased use of proven interventions to reduce the threat of infectious diseases of major public health importance

7.4 Improved maternal and child health services

391-XXX Agricultural Growth and Employment

391-YYY Improved Basic Health Services